BRITISH COLUMBIA

BC STATS

Service BC
Ministry of Labour & Citizens' Services

Infoline

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- **Net migration from other provinces and countries boosts population growth in BC**
- **Sawmill production increases 3.2% in July; softwood lumber prices 25.3% lower than in 2004**
- **Per capita consumption of motor fuel in BC virtually unchanged since 1993**

Population

- **During the second quarter of 2005, BC gained a total of 12,942 people as a result of net migration from all sources.** After several years of losing people to other parts of Canada, the province has been attracting more migrants during the last two years. The second quarter gain was 2,665 people, with every other region of the country being a net donor of population to BC. The biggest inflows came from Ontario (+857), followed by Manitoba (+694) and Alberta (+494). At the same time, international migration continued to swell the population, with a net increase of 10,277 people. BC's share of total Canadian immigration (74,500 people) rose to 16%.

  Alberta (6,595) was the only province with a bigger net gain as a result of migration within Canada. Most (70%) of the migrants came from Ontario, Saskatchewan and Manitoba. PEI (+99) attracted more people than it lost, but the other provinces were all net donors of population to the rest of Canada in the second quarter.

  Data Source: BC Stats

- **BC's population grew 1.3% during the twelve-month period ending July 1st, 2005, rising to 4,254,522.** This was the second-highest population growth among the provinces, after Alberta (+1.6%). Ontario (+1.1%) was the only other province where the population grew by at least one percent during this period. The Canadian population expanded 0.9%, rising to 32,270,507.

  Data Source: Statistics Canada

- **There has been a significant shift of the population base toward the west during the last fifteen years.** BC's population has increased 29% since 1990, with similar long-term growth (+28%) seen in Alberta. Together, these provinces now comprise 23% of the total Canadian population–a full two percentage points more than in 1990, and virtually the same as Quebec's current population share. Ontario has also made gains (from 37% to 39%).

  Data Source: Statistics Canada & BC Stats

- **Canada had the second-highest rate of population growth–and the second highest rate of natural increase (births minus deaths)–among the G8 nations between 1994 and 2004.** The Canadian population expanded at an annual rate of almost 1%, slightly less than the 1.1% increase in the US. The UK (+0.3%) and France (+0.4%) saw only modest population increases, while Japan, Germany and Italy grew at rates between 0.1% and 0.2%. The Russian Federation was the only G8 nation that lost population during this period. *Data Source: SC, The Daily*

The Economy

- **Sawmills and planing mills in the province produced 3.2% more lumber this July than in the same month last year.** Mills in the interior ramped up their output by 5.9%, but production at coastal mills was down 10.8% in July. Canadian lumber production slipped 5.0%, largely due to a significant downturn in Quebec (-22.8%), Canada's second-biggest lumber producing province. Year-to-date, BC sawmills have produced about half of all the lumber in Canada. *Data Source: SC, Catalogue 35-003-XIB*

- **The number of British Columbians receiving regular Employment Insurance (EI) benefits fell 3.7% (*seasonally adjusted*) between June and July, continuing a long-run decline that began in the summer of 2003.** Nationally, there were 5.9% fewer people receiving regular EI benefits. Ontario (-11.6%) and Quebec (-7.5%) were the provinces that posted the biggest declines, but the number of beneficiaries was down in every province.

  Data Source: Statistics Canada

Energy

- **Canadians consumed an average of 111 mil-**

Report — Laying on the lumber

Did you know...

There were 2,174 homeless people, including 40 families with children, in Greater Vancouver on March 15th, 2005. More than half of them slept on the street or sofa-surfed that night.

Data Source: Social Planning & Research Council of BC

lion litres of gasoline every day last year as total consumption of motor vehicle fuels surpassed the 40 billion litre mark for the first time. Per capita consumption was 1,262 litres during the year, or about 24 litres per week.

The total volume of motor fuel sold in Canada has increased 19% since 1993, with consumption rising most in the fastest-growing provinces: Ontario (+26%), Alberta (+19%) and BC (+18%). BC, where consumption averages 1,131 litres per year (or 22 litres per week) and Quebec (21 litres) are the provinces with the lowest per capita consumption. Residents of Saskatchewan (33 litres per week) and Alberta (31 litres) consume the most motor fuel.

Per capita fuel consumption in Alberta inched down during the ten-year period ending in 2004. In every other province except BC (where consumption was unchanged), per capita use of motor fuel rose. The average increase for all regions was 1.5 litres per week, or 7% more than in 1993. *Data Source: Statistics Canada & BC Stats*

Tourism

- **Restaurant, caterer and tavern receipts in the province were virtually unchanged (+0.1%, *seasonally adjusted*) in July.** A modest increase in food service receipts (+0.2%) was offset by a continued decline in revenues at drinking places in the province (-1.3%). Canadian receipts dipped 0.8%, with both food service (-0.8%) and drinking (-0.4%) places taking in fewer revenues. *Data Source: Statistics Canada & BC Stats*

Squeezing out the Middle Class?

- **Between 1995/96 and 2001/02, Canadian tuition fees rose 80% in law, 160% in medicine and tripled in dentistry.** These increases were largely due to changes in Ontario, where fees nearly quadrupled for medical students, tripled for law students, and rose by a factor of almost five in dentistry. Students in other provinces faced large increases, but they were not as dramatic as in Ontario.

The higher fees appear to have had the biggest effect on students from middle-income families. Prior to the jump in fees, 2.4% of recent graduates in Ontario whose parents held a graduate or professional degree went on to pursue an education in medicine, law or dentistry. After the jump, this doubled to 5.2%. In families where the parents had no post-secondary education, the likelihood of enrolling in professional programs rose from 0.5% to 1.2%. Only 1% of those in the middle enrolled in these programs after the increase, down from 2% prior to the changes.

Quebec and BC, where tuition fees were frozen during this period, did not experience a similar change in the socio-economic characteristics of students enrolling in these programs.

Data Source: SC, The Daily

The Nation

- **Canadian manufacturers' selling prices were 0.4% lower this August than in the same month of 2004.** The decline was partly related to a strong Canadian dollar, as prices for many export commodities were affected by the exchange rate. Producers of motor vehicles and transportation equipment received 5.6% less for their products, while lumber producers took a 17.8% hit in prices. Prices for pulp and paper (-3.9%), primary metals (-3.3%) and various types of food products were also lower than in August 2004. For the fifth month in a row, BC producers of softwood lumber products received substantially less (-25.3%) for their lumber than they had a year earlier. However, prices for most of the major metal concentrates produced in BC were up. Crude oil prices jumped 36.6%, but the cost of natural gas was virtually unchanged from August 2004. *Data Source: Statistics Canada*

- **The Canadian economy expanded 0.2% (*seasonally adjusted*) in July, with strong gains seen in both the goods (+0.2%) and service (+0.2%) sectors.** Primary industries such as mining & oil & gas extraction (+3.6%) and agriculture, fishing & forestry (+0.7%) were particularly robust. As a whole, the energy sector grew 1.1% in July. On the service side, retail trade (+1.2%) and arts, entertainment & recreation (+1.1%) were the top performers.

Data Source: Statistics Canada

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Infoline Report

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Laying on the Lumber

"I have a background from my younger days in hockey. When somebody slammed you into the boards with undue force and aggression, you took their number. I think we've got to take their number."

— Industry Minister David Emerson

NAFTA has once again found in favour of Canada in the softwood lumber dispute, but the United States is refusing to accept the ruling

The NAFTA panel investigating the United States' extraordinary challenge in the softwood lumber dispute with Canada has found that the complaint has no basis and has ordered that the tariffs be removed and the duties returned. That decision should have marked the end of this round of the softwood lumber saga, but in a move that may put the entire free trade agreement on thin ice, the United States has refused to admit defeat and is insisting that the ruling changes nothing. Neena Moorjani, speaking for the US Trade Representative, stated "We are, of course, disappointed with the decision, but it will have no impact on the antidumping and countervailing duty orders." The explanation for the refusal to acknowledge the panel's decision is that the ruling applies only to the 2002 finding of injury by the US International Trade Commission (ITC) and not to the revised November 2004 ITC determination.

The Canadian government and other interested parties on this side of the border are understandably vexed by the US government's refusal to abide by the NAFTA ruling. Trade Minister Jim Peterson voiced the expectations of the Canadian government, saying, "This is a binding decision that clearly eliminates the basis for US-imposed duties on Canadian softwood lumber. We fully expect the United States to abide by this ruling, stop collecting duties and refund the duties collected over the past three years."

Peterson is quite correct in saying that the decision is binding. Paragraph 9 of Article 1904 (Review of the Final Antidumping and Countervailing Duty Determinations) of the NAFTA agreement clearly stipulates this to be the case:

The final NAFTA panel decision is binding, which means the US is obligated to remove the duties and return the money collected to date

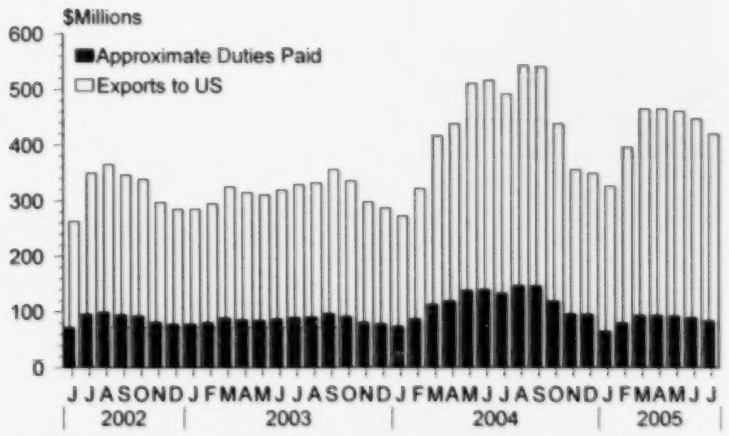
> The decision of a panel under this Article shall be binding on the involved Parties with respect to the particular matter between the Parties that is before the panel.

There doesn't seem to be any room for another interpretation of the law in this case, yet the United States remains intractable in their refusal to abide by the panel's decision. This has many trade experts concerned that the NAFTA itself could be in jeopardy, in-

cluding several of the key participants in creating the deal. The US Ambassador to Canada, David Wilkins, has cautioned the Canadian side to stop their "emotional tirades" and tone down the rhetoric. He suggests that the only way to end the dispute is to negotiate a settlement. However, Canada has suspended all negotiations in light of the US government's refusal to abide by the terms of NAFTA, suggesting that it does not make sense to negotiate an agreement with a party that is not willing to live up to the terms of agreements already in place.

Wilkins has classified the lumber dispute as a minor trade issue, but it is likely that most Canadians, particularly those in British Columbia, would take issue with that depiction. So far this year, exports of softwood lumber to the United States have comprised over 16% of the value of BC's total commodity exports and 25% of the value of BC's commodity exports to the United States. And while it is true that less than three per cent of Canada's total commodity exports to the US are comprised of softwood lumber, the potential implications that the US refusal to abide by the NAFTA ruling have for the NAFTA agreement itself are hardly a trivial matter.

Duties collected on BC origin exports of softwood lumber to the United States have been adding up

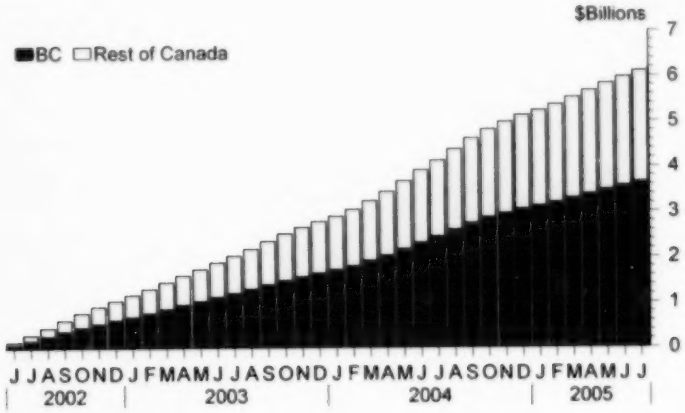


Source: Statistics Canada for exports, BC Stats for estimated duties paid

The softwood lumber dispute has dragged on for over four years now and Canadian lumber companies have been posting bonds to cover countervailing and anti-dumping duties since May 22, 2002. The cumulative total of these duties has likely exceeded $Cdn 6 billion.[1] This is approximately equivalent to the value of total Canadian exports to China, Canada's fourth-largest export destination, in 2004. It is difficult to agree that this is a "minor trade issue" when numbers of that magnitude are involved.

Softwood lumber makes up about one quarter of the total value of BC exports to the United States

Cumulatively, duties paid on Canadian softwood lumber exports to the United States have reached approximately $6 billion



Source: BC Stats

Cumulative duties paid on softwood lumber exports to the United States amount to about $Cdn 6 billion

The intransigence on the part of the US government with regard to this issue has resulted in calls for various retaliatory measures, ranging from tariffs on various American products, such as Californian wine, to export taxes on energy products, to holding up approvals for sales of energy-producing companies to American interests. The federal government has already ruled out export taxes, but has applied to the World Trade Organization (WTO) for permission to apply retaliatory tariffs and also has launched a lawsuit in the US Court of International Trade, hoping the court will order the duties removed and the monies refunded. However, a recent decision by the WTO may have ended Canadian hopes for permission to impose tariffs.

A recent WTO decision may have ruled out the possibility of retaliatory tariffs

[1] The $6 billion figure is a BC Stats estimate based on the value of softwood lumber exported to the United States. It is calculated using the average anti-dumping duty of 8.43% to December 2004 and 3.78% thereafter. Some firms may have paid higher or lower duties than these figures, so the numbers quoted here should be considered estimates.

The WTO ruled that the United States were in compliance with international law when it imposed duties on imports of Canadian softwood lumber. The full details of the ruling are yet to be made public, but the Canadian side of the dispute has characterized it as a "setback." Nevertheless, Canada insists that the NAFTA ruling supersedes the WTO decision and that the US is still bound to lift the duties and return the approximately $Cdn 6 billion that has been collected so far. It would seem that Canada is on solid ground on this issue, since NAFTA is entrenched in US law and the decisions by the NAFTA panels have been based on US law. In other words, the panels have found that the US government has breached US law by imposing the duties.

Canada is hoping to prove that the United States is breaking its own laws by continuing to apply duties on Canadian softwood lumber in contravention to the ruling by the NAFTA panel

However, trade officials in the US have suggested that the WTO decision makes the ruling by NAFTA moot. Although a convenient negotiating tactic, this suggestion is surprising, since it basically implies that international law can trump American law, which is in direct opposition to what has been said prior to the release of the WTO ruling. Considering that the United States has yet to repeal the Byrd Amendment, which was deemed illegal by the WTO almost three years ago, it also seems hypocritical. It is even harder to swallow when one considers that the WTO has consistently ruled that the methods used to calculate the duties have been faulty, yet the US has failed to fully comply with their instructions. A WTO ruling that said just that is being appealed by the United States.

The Byrd Amendment stipulates that all anti-dumping and countervailing duties from goods imported into the US are to be distributed to the companies that initiated the complaint

The refusal of the United States to accept defeat does not bode well for a speedy resolution to the dispute, but there are a couple of events that may shift things in Canada's favour. First is the news that International Paper, one of the key members of the US Coalition for Fair Lumber Imports and the world's largest forest products company, is intending to sell off the milling side of its business, including the timberlands operations. If this happens, the Coalition will lose a significant source of funding, particularly if a Canadian company purchases the assets. The lobby group could lose a lot of its power as a result.

The likely sale by International Paper of its milling and timberland operations could hurt the US lumber lobby and help Canada

Hurricane Katrina is another potential catalyst for a resolution to the dispute. While the tragic aftermath of the hurricane may have temporarily taken the focus away from trade issues, this should not last long. Once reconstruction begins, there will be an enormous demand for building materials. In addition to softwood lumber from Canada, the United States has also imposed substantial duties on cement from Mexico. It is doubtful that there will be much of an appetite for a continuation of duties on these building materials in the face of already substantial costs involved in reconstruction. In fact, officials from the United States and Mexico are

The need for building materials in the aftermath of the devastation caused by Hurricane Katrina could hasten efforts to end the dispute

planning to meet to discuss an end to the cement tariffs. This may not be enough to sway the US lumber lobby, which has already insisted that the duties should be removed on donated lumber only, but it could make more American consumers aware of the folly of the duties, particularly since the American press is more likely to make the increased costs a news item.

Infoline

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BC at a glance . . .

POPULATION (thousands)	Jul 1/05	% change on one year ago
BC	4,254.5	1.3
Canada	32,270.5	0.9
GDP and INCOME		
(BC - at market prices)	2004	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	156,481	7.5
GDP *($ 1997 millions)*	138,783	3.9
GDP *($ 1997 per Capita)*	33,072	2.8
Personal Disposable Income *($ 1997 per Capita)*	20,002	1.2
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Jul	3,392	-5.5
Merchandise Exports - Jul	2,599	-9.8
Retail Sales - Jul	4,183	1.5
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Aug '05	% change
BC	125.9	2.0
Canada	128.0	2.1
LABOUR FORCE (thousands)		
(seasonally adjusted)	Aug '05	% change on prev. month
Labour Force - BC	2,265	0.0
Employed - BC	2,133	0.4
Unemployed - BC	132	-6.0
		Jul '05
Unemployment Rate - BC *(percent)*	5.8	6.2
Unemployment Rate - Canada *(percent)*	6.8	6.8
INTEREST RATES (percent)	Sep 28/05	Sep 29/04
Prime Business Rate	4.50	4.00
Conventional Mortgages - 1 year	5.00	4.80
- 5 year	5.80	6.30
US/CANADA EXCHANGE RATE	Sep 28/05	Sep 29/04
(avg. noon spot rate) Cdn $	1.1785	1.2725
US $ *(reciprocal of the closing rate)*	0.8526	0.7875
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Aug '05	one year ago
BC	702.66	2.1
Canada	708.30	4.2

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Updated on our site

2001 Census Profiles

We've refreshed all these files on our site to resolve minor problems.

http://www.bcstats.gov.bc.ca/ [continued]
data/cen01/profiles/csd_txt.asp

The Media Room

We've added a page aimed at journalists. The link to this is on our home page, in the top-most blue panel on the left.

http://www.bcstats.gov.bc.ca/media.asp

Worth a Bookmark!

The Business Gateway

This is a page designed to whisk our business clients to appropriate resources on our site and beyond. Links to the business gateway are on our at the top of our business and industry page and at the top of our small business page. As always, we welcome your comments and suggestions for improvement.

www.bcstats.gov.bc.ca/data/bus_stat/bus_gate.asp

Released this week by BC STATS

- Current Statistics, September 2005
- Migration Highlights, 2nd Quarter 2005

Next week

- Business Indicators, September 2005
- Immigration Highlights, 2nd Quarter 2005
- Tourism Sector Monitor, September 2005

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